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# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Testimony of the  
Connecticut Insurance Department  
Before  
The Insurance and Real Estate Committee  
February 19, 2015**

**Raised Bill HB 6163—An Act Concerning The Territorial Classifications For Private Passenger Nonfleet  
Automobile Insurance Rating Plans**

Chairmen Crisco and Megna, Ranking Members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Raised Bill HB 6163.

The Connecticut Insurance Department (the "Department") respectfully opposes this legislation as it believes changing the **individual territory loss cost indication** weighting from **75% to 50%** will result in increased auto insurance rates for suburban (and some rural) towns and decreased rates for the highest rated urban cities. This weighting of loss costs required under section 38a-686(b)(4) serves to lower the loss costs for the territory where the experience is worse than the statewide average and increases the loss costs where experience is better. As a result, the Department believes that insurers may be less willing to write auto insurance in Connecticut when the resulting pricing does not accurately reflect the risk by further reducing the loss costs taken into account from 75% to 50%. In addition, the Department believes that any changes in territorial rating may be disruptive to the marketplace and may adversely impact today's very competitive auto market in Connecticut.

Currently, a rating territory's loss cost weighting is limited to 75% of the change indicated by the territory's own loss experience, with the balance of the change, 25%, based on the overall statewide loss experience. Territorial rating allocates losses paid to the territory where the vehicle is principally garaged. Territories with different loss experience will have different rates. Typically, urban areas experience greater loss experience and higher rates than suburban areas. As noted, by lowering the weighting to 50%, this will serve to increase premiums of suburban towns who will be increasingly subsidizing the auto premiums in urban areas.

The Connecticut Insurance Department appreciates this opportunity to comment on Raised Bill 6163.